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PART-SESSION OF THE EUROPEAN PARLIAMENT

24-26 September 1974

A. BERTRAND: A NEW SUMMIT CONFERENCE? YES, BUT ...

'on condition that it is effectively prepared and starts with a well-defined agenda', as the spokesman for the Christian-Democratic Group said in his reply to the statement by President Ortoli of the Commission on current problems in the Community. After sharply criticizing the present situation, especially the attitude of the Council of Ministers, Mr BERTRAND summarized the points which, in the view of the Christian-Democratic Group, should be given priority at the coming summit conference: a definitive decision on the decision-making process in the Council, in accordance with the Treaties, the granting of budgetary powers to the European Parliament by 1 January next year, clear agreements on the establishment of Economic and Monetary Union and the Regional Fund, improvement in political cooperation by the creation of a permanent secretariat attached to the Community institutions and finally, first steps towards the achievement of European Union. The Chairman of the Christian-Democratic Group, Mr H. A. LÜCKER, also took part in the discussion. He pointed out, among other things, how important it is for the Community that the President of the Commission - like Heads of Government in the parliamentary democracies - should come before Parliament at crucial moments. 'It is not at press conferences in Brussels, but in the European Parliament, that the Commission should announce and explain its activities,' said Mr LÜCKER, who further emphasized that the discussion on political and institutional questions could no longer be postponed, and certainly ought not to be left to European diplomatic conferences. 'If real progress in European politics is wanted, this can take place only through consensus, confrontation and decision-making in the three political institutions of the Community. What must, therefore, be done is to strengthen the institutions, especially the Commission and the European Parliament.' In connection with a recent statement by the German Federal Chancellor to the effect that it should not be the European Institutions but national Governments who should construct Europe, the Group Chairman pointed out that the Christian Democrats 'viewed with increasing concern this tendency to intergovernmental cooperation ... and saw no salvation for Europe in it.'

PISONI: EUROPEAN VOCATIONAL TRAINING CENTRE

Technological progress and social and geographical mobility require continuing thorough retraining. However, the lack of appropriate institutions and of adequate services affects primarily the less gifted, the least protected, and among them, of course, the migrant workers. The European Vocational Training Centre might bring about changes here, especially if it was regarded as an instrument to provide a new impulse to vocational training, said Mr PISONI, the rapporteur.

According to Mr VANDEWIELE, the centre ought to be given the necessary powers to start a number of new projects on its own initiative, and ought to draw up harmonized programmes for courses of vocational training in permanent consultation with both sides of industry.

MURSCH: THE COMMON TRANSPORT POLICY

'A common transport system consisting of a common market in transport and a common transport infrastructure is an indispensable part of an economic union. It is the task of the transport policy to elaborate such a system.' This was stated by Mr MURSCH in his report on the communication from the Commission on the development of the common transport policy. In this connection, Mr PÊTRE, as spokesman for the Christian-Democratic Group, pointed out the role transport ought to play in the economic take-off of backward regions and in areas undergoing a recession. He then emphasized that tens of thousands of workers were employed in the transport sector, and that, for them, specific social measures, especially as regards safety, ought to be taken.

DR JAHN: FULL IMPLEMENTATION OF THE ASSOCIATION AGREEMENT WITH GREECE

In the discussion on the EEC-Greece Association, Dr JAHN, on behalf of the Christian-Democratic Group, stated that Greece required our support in its attempts to achieve economic and political stability, and that the Association Agreement was the appropriate framework for this.

THE SOLUTION OF THE CYPRUS QUESTION - A EUROPEAN PROBLEM

by Dr H. E. JAHN.

With the Council and the Commission of the European Communities adopting an extremely cautious approach to the Cyprus conflict, the European Parliament's Christian-Democratic Group asked in Parliament why the Community of the Nine had seen this conflict spread and had taken no steps to convene the Association Council; the Christian-Democratic Group proceeds from the premise that the European Economic Community has an association agreement with Cyprus, Turkey and Greece, the aim of the association being to create, by establishing a customs union, close economic and commercial relations between these three countries and the European Community. Economic relations, however, necessarily entail political relations and, in the ultimate analysis, relations do not exist as an end in themselves. They are established to contribute to the well-being and the peace of the peoples concerned. As the economically stronger partner, the Community bears considerable responsibility in this connection.

If the Community wishes to make a contribution to solving the Cyprus problem, it must do so within the existing institutional framework, i.e. the Association Council. Moreover, the Community must live up to its political status by working out a practical plan for Cyprus. Speed is essential, since the differences between the Cypriot and Turkish populations are likely to assume more and more acute forms. However, a strong warning must be given against the dangers of partition. Cyprus is an independent state and must remain so. The difficult search for a just and lasting solution to the conflict must not be jeopardized by interference from outside, which, moreover, is not in keeping with existing treaties. Cyprus is a young state whose foundations are now gradually stabilizing. It is therefore of the greatest importance for the viability of this State that the administration and government of the country are guaranteed and acknowledged to be an internal affair to be regulated exclusively by the Cypriots themselves. In the present situation, there is a chance for the internal organization of the State to be geared, now and for the future, to the interests of the entire population.

THE EUROPEAN COMMUNITY AND THE UNITED STATES: The sixth meeting of the European Parliament's delegation for relations with the United States Congress, which was held in Washington and San Francisco from 16 - 20 September, considered the political development of relations between Europe and the United States and planned the outline of future activities. The talks included discussions with Mr Rush and Mr Ebele, the President's political and economic advisers, Mr Butz, the agriculture minister, and Mr Dent, the trade minister. An exchange of views was also held with representatives of the Ministry of Finance and the State Department. After the talks, the delegation was received by President Ford.

It was agreed during the talks that competitive nationalist attempts to solve economic and political problems should in future be avoided. This applied in particular to all problems relating to the supply of energy and raw materials.

Economic isolation for the USA and Europe was not only impossible but also unthinkable. Economic consultation and cooperation had become essential to the solution of urgent common problems such as the suppression of inflation, the warding-off of a recession, and the successful solution of difficult and unprecedented balance-of-payments problems, etc. Honesty and fairness were, however, prerequisites for any cooperation. This also applied to government talks between the USA and the EEC on economic problems.

It was also agreed that the USA and the EEC should draw up a sort of code of conduct for relations with the countries of the Eastern bloc in respect of the granting of credit facilities, the fixing of interest rates, and cooperation between undertakings, etc. To achieve greater independence in the field of energy supply, the USA and the EEC would make efforts to combine all their energy research projects. At present, the USA was planning research projects costing more than 50 thousand million DM.

It was also agreed that attempts should in future be made to achieve common solutions on the basis of careful analyses of economic developments. In this connection, it was necessary to give priority to close consultation and cooperation between the United States and the European Community.

MISCELLANEOUS

EUROPEAN PARLIAMENT CHRISTIAN-DEMOCRATIC GROUP DELEGATION TO GREECE

By agreement with the Political Bureau of the European Union of Christian Democrats (EUCD), a delegation consisting of Mr GIRAUDO, chairman of the Political Affairs Committee of the European Parliament, Mr SCHULZ, deputy for Berlin, Mr VANDEWIELE, former Belgian Secretary of State and Dr HAHN, deputy Secretary-General of the European Union of Christian Democrats, will shortly pay a visit to Greece. It will engage in discussions on the political situation in Greece and in the European Community with various prominent Greeks including Government representatives, politicians of the Centre and personalities from the world of culture.

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EUROPEAN UNION OF YOUNG CHRISTIAN DEMOCRATS

On 9 and 10 November 1974, the EUYCD is holding an extraordinary general congress in Maastricht (Netherlands) on the theme

'1980 - European Political Union!'

with Mr LARDINOIS, the EEC Commissioner for Agriculture, and Mr BERTRAND, rapporteur on the European Political Union in the Political Affairs Committee of the European Parliament.

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SPAIN

A delegation of Spanish Christian Democrats had a meeting in Brussels on 26 September with the leadership of the CVP-PSC and the President of the European Union of Young Christian Democrats. The discussion covered the political situation in Spain and cooperation between Christian-Democratic parties in Europe.

Christian Democracy in Spain comprises four political groups working clandestinely under the Franco regime: the Democratic Left, the Social-Christian Democracy, the Catalan Democratic Union and the Basque National Party.

The Spanish Christian Democrats are collaborating actively on the establishment of a broad democratic front on the basis of the following minimum programme:

- the proclamation of a period of constituent activity, to break with the present regime;
- the adoption of a declaration on human rights to be applied directly by the courts;
- the restoration of political liberty and of the workers' right to form organizations;
- the organization of the state on a federal basis and the immediate recognition of regional autonomy;
- the separation of church and state;
- the organization of the economy with a view to a more equitable distribution of wealth;
- the immediate commencement of procedures leading towards the accession of Spain to the European Community.

The CVP and the PSC reaffirmed their full support of the Spanish Christian Democrats, and will intensify cooperation especially as regards information and the training of cadres.

Scarce resources impose a common European research, technology and industrial policy - Dr. Hanna Walz

It is no longer enough to emphasize from time to time - as the Federal German government does - that it is necessary to 'set objectives in the fields of science and technology and to ensure that a common policy is pursued in those fields', and yet still declare on the other hand that European research, technology and industrial policy must for the most part continue to evolve at national level.

Europe's financial and material resources are making it more and more necessary to develop a common concept in the fields of science and technology. What we need, and what therefore must be developed is a comprehensive concept of European research, technology and industrial policy as a whole, in which the various sectoral policies can be integrated - a concept, in fact, that challenges the creative power of European science and which makes optimum use of increasingly scarce funds with a view to the achievement of common objectives and on the basis of a well-conceived division of labour.

The practical objectives of such a common technology policy should, as innovations, be geared to meet social requirements, for example in the fields of environmental protection, public health, education, town planning, and local and inter-city transport, i.e. they should be geared to improving the quality of life. Within a common European industrial policy they should be aimed at safeguarding and increasing the productivity of our industries and their levels of technology. After all, we can only distribute what we have produced.

Finally, first priority should be given to the inter-relationship of problems; demographic developments and resulting shortages, energy supply, raw materials planning for people and industry, recycling, and questions of human behaviour. The solution of these problems will be crucial to our future.

We can no longer afford to confuse technological cooperation in specific sectors with a common strategy in research, technology and industrial policy. Both the shortage of highly qualified and creative scientists and technologists and the greatly increasing amounts allotted to research in the budgets of the Member States of the Community, which in any case are being eaten up by galloping inflation, make it imperative to adopt as rational an approach as possible and to dispense with national prestige projects. Our future as an economic power and hence also our material and intellectual well-being will be jeopardized if we do not soon arrive at a common technological and industrial policy.

Numerous research and development projects and experiments in widely varied technological fields are in progress in the Member States of the Community. These activities are carried out by State authorities, universities, governmental or semi-governmental research institutes, private undertakings and numerous organizations set up by the State and/or private enterprise. Without doubt, this multiplicity of initiatives has a favourable effect in that it encourages the creativity or even competitiveness of Research and production centres. However, there are also disadvantages. It leads to unproductive competition within the same sector and to an expensive waste of energies. Projects are not ambitious enough, not simply in relation to the objectives aimed at, but also in relation to the initiatives of other countries, and, finally, the prospects of success of national research and development work are uncertain because of inadequate or unbalanced assessment of the European or international sales potential, which is essential to the success of such activities.

We therefore need practical, future-oriented development projects in the most important medium- and long-term areas of research policy. A prerequisite for the formulation of such practical projects is a precise statement of the financial resources required, the extent of these funds and their distribution.

A common European research, technology and industrial policy must be achieved gradually, first by coordinating national policies and then by the joint planning and implementation of suitable large-scale projects. A prerequisite for this is the establishment of an effective information and documentation system for the dissemination of knowledge so that more rapid practical use can be made of such knowledge. The European Community needs an information infrastructure appropriate to a modern industrial society.

If we are to increase the social well-being of all citizens of the Community, we must rapidly agree on a European technology policy. Otherwise, we shall not be able to maintain our position as an important economic power, and will have to surrender our place to the superpowers. The result would not then be partnership in mutual dependence, but dependence pure and simple.

HARMONIZATION OF THE TRANSITION TO THE FREE MOVEMENT OF GOODS

by Mr Hermann SCHWÖRER

A milestone on the road to European unification

Fifteen years after the establishment of the Common Market, Europe is still economically a far from unified area. Administrative formalities in trade between Member States have not yet been abolished, nor have customs regulations governing trade with third countries been harmonized.

The protective measures introduced by the Italian government at the end of April 1974 to prevent a rapid deterioration in its foreign trade position are damning evidence of the weakness of the Community institutions. Although it cannot be denied that the Italian government is faced with serious problems, as a 'citizen of Europe', one cannot help feeling concern when a Member State falls back on measures calculated so to weaken the foundations of the Community as to endanger the satisfactory operation of the customs union in the Community agricultural market.

In accordance with the provisions of the Treaty, a common external tariff was introduced about five years ago, with the same customs tariffs for all Member States. However, the existence of different clearance procedures leads to serious disparities between Member States, so that a great deal depends on the country in which the clearance procedure is applied. It can be inferred from this that a Community customs tariff - a uniform tariff in all the Member States - exists only in theory. It is discouraging for the citizens of the Community to have to choose an exporting country in the light, not of economic considerations but of the way in which customs formalities have to be observed. The importer in the Community - faced with these differences - quite rightly asks himself what use it is if, in practice, the common customs tariff is more or less disregarded by the national customs authorities. National customs departments have, in fact, raised new customs barriers in the Community, and this is an intolerable situation. If the movement of goods is to be completely free, two obstacles must still be removed, namely, the differences between VAT rates in the Member States and the still wide divergencies in technical regulations for the production and packing of goods, the 'technical barriers to trade'.

The European Parliament is grateful to the Commission for having finally taken action to translate theory into practice. This is in fact the significance of the directive that the Committee on Economic and Monetary Affairs of the European Parliament has adopted on the harmonization of procedures for

establishing the free movement of goods. According to the explanatory statement, the object is to ensure uniform provisions for the application of duties in the common customs tariff, charges having equivalent effect, agricultural levies and other charges provided for under the Community's agricultural policy - thus eliminating the inequality of treatment received by Community importers from country to country and at the same time removing the causes of arbitrary changes in the location of import undertakings.

In its efforts to remove the technical barriers to trade which still hamper the free movement of goods in the Common Market, the Community intends to follow a different policy. To this end, it is resorting to the most up-to-date national provisions as a basis for common regulations. It is gratifying to note the explanatory statement stating that the object of the directive is to eliminate all unnecessary costly formalities without jeopardizing the orderly application of the customs duties in the common customs tariff.

Particularly welcome is the fact that provision is made for the application of flexible procedural rules geared to the needs of an expanding economy and to modern administrative techniques, in particular data processing.

It is also gratifying to note that the Commission is prepared, before harmonizing these directives, to consult the Committee on General Customs Matters and, as far as possible, people who are familiar with the practical aspects of importing, so that the regulations it introduces correspond as closely as possible to actual practice.

The removal of technical barriers to trade is an objective the Community has always sought to achieve. In recent years, the Commission has submitted about one hundred proposals and some sixty regulations have been enacted.

The purpose of this directive is to harmonize the procedures for establishing the duty-free movement of goods.

However, one essential stage has yet to be reached - the duty-free movement of goods between the Member States of the Community. The Commission, however, is powerless to act since Article 10(1) of the Rome Treaty implies that it has no authority to legislate in this field. Only the Member States have this right. They are therefore asked to make every effort, after this directive enters into force, to ensure the duty-free movement of goods.

This equality of treatment for Community imports in all countries will mark a major step towards the united Europe for which we are all striving. No political discord of any kind could jeopardize this unity. This directive is an important milestone on the difficult road to a united Europe.

DOSSIER

Mr Eric Van Rompuy : GREAT BRITAIN AND WEST GERMANY IN A SINGLE
CURRENCY AREA?

Politicians are frequently accused of being the chief culprits in the difficult evolution of Europe towards economic and monetary integration. Monetary union is not attainable without economic union. The latter requires coordination, harmonization and where necessary centralization of economic policy measures and decisions. The politicians are not however prepared to transfer their powers from the national to the Community level; they do not even attempt to coordinate their mutual economic policy objectives. Hence the failure of the EEC to get the process of monetary unification going.

This view is undoubtedly correct; in this contribution, however, we wish to point out that the politicians' room for manoeuvre is severely restricted by the enormous structural imbalances between the national economies of the Member States. The differences in economic structure between some EEC countries (for instance West Germany and Great Britain) are so great that in our view monetary union is not attainable in the short or middle term, even if the necessary political will exists.

A DM area?

Monetary union implies absolutely fixed exchange rates between the EEC currencies, with no margins for fluctuation and with complete freedom of capital movements. Exchange rate manipulation will cease to exist as an instrument of economic policy to cope with the differences in wages, prices, economic situations, productivity and balance of payments positions between the Member States.

In the event of balance of payments difficulties, the deficit country must attempt to correct the shortage and restore its international competitive position by conducting a prices and incomes policy or by curbing economic activity. In view of the frequent failure of prices and incomes policies, the restoration of equilibrium usually means for the deficit country a slowing down of economic growth and higher unemployment. In fact, currency union implies the danger of a return to the gold standard mechanism. Hence the fear of a country like Great Britain, with chronic balance of payments problems, that European Monetary Union would periodically necessitate a deflation policy and increased unemployment. Opponents of the EEC do not fail to bring out this argument continually.

On 24 April 1972, the EEC countries attempted to restrict the maximum fluctuation between their exchange rates to 2.25% (the European 'snake'). The 'snake' gradually petered out. At the moment, the EEC is splitting into two areas. On the one hand a block around the DM including the Netherlands, Belgium and West Germany; on the other, the United Kingdom, Italy and France with separately floating currencies.

It is not by chance that the DM area coincides with the industrially highest developed region of the EEC, sometimes called the 'Ruhr of Western Europe'. They are countries with a balance of payments surplus, a fairly low inflation rate and an extremely dynamic and competitive export sector. Regions with a less highly developed economic structure have a weak competitive position, relatively high price rises, and a deficit on the balance of payments; they must have recourse to the exchange rate in order to safeguard their competitive position. France still has a chance to join the DM area, if it can in the short term overcome its balance of payments difficulties (mainly the result of the oil crisis) and if Giscard d'Estaing succeeds in implementing his stability programme and simultaneously continuing the industrial reorganization of the Pompidou period. National and Community policy decisions may in the relatively short term bring the structurally highly developed French economy into line with the DM area.

Italy will find it extremely difficult to keep up with the highly industrialized North of the Community. In consequence of a deep political and social crisis, that country has not been able in recent years to continue the brilliant economic performance of the sixties. The catastrophic balance of payments deficit and the traumatic rises in prices and costs have caused a depreciation of the lira by an average of 20% (by comparison with the major EEC currencies) in a period of one year. Here there arises the problem of the fundamentally different structure of the North and the South. Economically, Italy really consists of two countries. Only the highly industrialized North with its high productivity and traditionally high competitiveness in exports can be considered to be capable of successfully joining the DM area in the medium term. The economic prerequisites for this are there; the rapid restoration of a stable social and political climate is, however, a further basic prerequisite if North Italy is not finally to lose touch with economic development in the other EEC countries. A drastic cutback in public expenditure, moderation of wage demands and the stopping of the strike wave, along with the restoration of the investment climate, may in the foreseeable future bring Italy out of the first severe economic crisis since its accession to the Market.

Great Britain : The greatest obstacle

British accession to the EEC will make the achievement of economic and monetary union even more difficult. The British economy has for 20 years been going from one crisis to another. The present economic crisis is not recent in origin like that of Italy. It is not without reason that Great Britain is called 'the sick man of Europe'.

Monetary union does not require absolutely uniform structures and economic processes. The differences must however be within bounds. The United Kingdom goes over the threshold of tolerance. The achievement of economic and monetary union by 1980 with the United Kingdom is problematic. *Natura non facit saltus*. While the economic cycles in the Netherlands, Belgium, West Germany and France are merging, the British cycle shows no connection at all with cyclical movements in the other Member States. The inflation rate in the period 1970-1973 was the highest in the EEC. In 1974 price rises of around 18% are expected (cf. 8% in Germany). On average the United Kingdom has in recent years had the highest unemployment in the Community. The increase in economic growth and productivity over the last 10 years has been barely half of the percentage increase in the Six.

Great Britain has chronic balance of payments problems to reckon with and is at the moment facing the heaviest deficit in its history, exceeding even Italy's. It should be noted that the balance of payments deficit had already reached record figures before the oil crisis of autumn 1973. Monetary union only has a chance of success if the Member States of the union maintain mutual structural balance in their balance of payments. The British balance of payments may well become the Achilles heel of monetary integration in Europe.

The balance of payments problem in the United Kingdom is a result of the fundamental weakness of the British economy, which is not capable of reconciling a high GNP growth rate with a surplus on the balance of payments. A shortage of investments and a lack of export dynamism has the result that with each economic recovery a rise in domestic demand (borne by private consumption and public expenditure) has to cope with an insufficient productive capacity, resulting in a rise in the volume of imports while exports lag behind. Difficulties in the balance of trade lead to a run on the pound. The lack of monetary reserves and the presence of large quantities of short-term funds in London (the so-called sterling balances) make the pound an extremely vulnerable currency. To safeguard the exchange rate parity of the pound and correct the balance of payments deficit, the Government has been obliged to curb domestic demand and economic expansion. In this way,

growth never takes off (the so-called stop-go-cycle). Consequently, the British economy became involved in a vicious circle of relatively slow growth, low investments, low rises in productivity, balance of payments problems and deflationary policies. The Heath Conservative Government attempted in 1972 - 1974 to get round the balance of payments problem by instituting floating exchange rates. The dramatic devaluation of the pound by 20% (by comparison with the major European currencies), however, caused home price rises with a consequent deterioration in the competitive position, a further increase in the balance of payments and yet greater depreciation. There thus arose a 'new' vicious circle with just as serious consequences as the 'old' vicious circle of the stop-go cycle. A substantial increase in exports and investments is urgently necessary in order to correct the balance of payments deficit. If not, we fear that the British will introduce import controls and capital restrictions. This would act against the European customs union and the attempt to ensure freedom of European capital movement. 1974 is becoming the year of disaster for the British economy: negative GNP growth figures, a Latin-American rate of inflation, a gigantic external debt burden and stagnation of investments. Economists predict a doubling of unemployment to over a million for 1975. Great Britain is threatening to become the 'Northern Ireland' of Europe.

The fact that the United Kingdom is incapable in the foreseeable future of being incorporated in the European 'currency snake' goes without saying.

The British expect a lot from the European Regional Fund, to re-structure their economy and improve their productivity. Around 30% of the British population, according to the Thompson report, could receive European financial support. Recent experience with regional policy (e.g. in Southern Italy, Wales, Scotland, Northern Ireland) shows that the effect is small and long-term. Our common European regional policy cannot be expected to do more than a regional policy at national level. In the medium term, the European regional policy is no substitute for the exchange rate in coping with structural imbalances between the European Member States and with differences in productivity.

Conclusions

Giscard d'Estaing recently compared inflation to the Lorelei rock on which the EEC might founder. The United Kingdom's inflation rate is twice West Germany's. The pound and the DM are getting further and further apart. A Community anti-inflation policy is becoming daily more difficult, and yet daily more necessary. Cutting back the rise in the money supply in the United Kingdom (25%) to the West German level (0%)

would involve an enormous increase in unemployment. If the United Kingdom is not capable of applying this discipline, its prosperity will fall increasingly behind that of its European partners.

As a result of the price rises, exchange rate adjustments and various productivity developments, the real income of the British worker has risen by only half that of the German or Dutch worker over the last three years.

In the United Kingdom there was a fear that European monetary integration would impose balance of payments discipline and the periodic curbing of economic activity, with high unemployment, on the country. In the long run it will not be the European Community which will oblige the United Kingdom to carry out the process of internal adjustment of its economy, but the dramatic situation of the British economy itself. If the balance of payments deficit, the inflation rate and the economic stagnation continue, the United Kingdom will inevitably become the Northern Ireland of Europe.

The United Kingdom is undoubtedly becoming the gravest obstacle on the road to European monetary and economic union.

Eric Van Rompuy¹

¹ Member of the National Council of CVP Youth (Belgium)



